



STATE OF DELAWARE

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August 3, 2017

TO: The Chair and Members of the Commission

FROM: Jason R. Smith, Public Utility Analyst 

SUBJECT: IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE EFFECTIVE NOVEMBER 1, 2016 (FILED SEPTEMBER 1, 2016) – PSC DOCKET NO. 16-0908

Background

On July 26, 2017, Chesapeake Utilities Corporation ("Chesapeake" or "Company") filed a request for a waiver of the requirement to file revised GSR rates due to the under collection balance exceeding 6% through the end of the current GSR year.

Attachment 1 of Chesapeake's July 26, 2017 letter shows a projected under collection of fuel expenses (based on 7 months of actual sales and 5 months of projected sales) of approximately \$3.3 million or 9.88% for the gas sales year November 1, 2016 – October 31, 2017.

Section XVI of the Company's Gas Sales Service Rates Tariff states, "The rates computed under this rate schedule shall remain in effect for the projected period provided the latest estimated...under collection does not exceed 6% of the actual firm gas costs incurred to date along with the Company's latest firm gas cost estimates for the remainder of the calculation of the over/under collection period (over/under period). [...] If it appears that the use of these rates for the twelve-month over/under period will result in an over or under collection exceeding these limits, the Company shall apply to the Commission for revised rates to be effective until the next annual adjustment in the rates."

Chesapeake has cited in its letter the primary reason for the increase in the under collection is below normal weather conditions experienced during the heating season, particularly during the months of January, February, and March of this year, combined with lower than budgeted consumption by its firm sales customers.

Staff's Review and Recommendation

Staff has performed a review of Chesapeake's waiver request and its supporting schedules to verify the mathematical accuracy of the schedules and calculations provided and has determined that they are accurate and coincide to the Company's GSR tariff.

Chesapeake's "good cause" for its waiver request of the tariff provision that requires it to file for a change in the Gas Sales Service Rate ("GSR") is as follows:

- 1.) Chesapeake maintains that a revision to the GSR rates at this time would overall have very little impact to the over/under collection balance. Primarily, Chesapeake experiences its greatest consumption of natural gas from its customers on its system during the winter months. Since we have already passed the winter heating season (October to March) for the current gas sales period, there is no real opportunity left to significantly reduce the under collection balance during the remaining months left in the gas sales period (August, September, and October).
- 2.) The Company is already preparing its filing for the next GSR period, which begins in November 2017. This filing is due to the Commission on September 1, 2017.

Based on Staff's review of the Company's request, Staff prefers and recommends that the Commission grant the Company's requested waiver of its tariff requirement to file revised rates.

On September 1, 2017, the Company will be filing its annual GSR for the upcoming gas sales year November 1, 2017 – October 31, 2018. As a result, the entire amount of the under collection balance will be incorporated during the development of rates for the next sales period. With the remaining time and determination in the existing gas sales period, a revised GSR filing would provide no significant impact to Chesapeake's customers. It would also appear to be an inefficient use of valuable resources of the Commission, Staff, DPA, as well as the Company. Therefore, Staff respectfully recommends that the Commission grant Chesapeake's request to waive its tariff requirement to file revised rates.